

# Funding Medicare, Funding Health Care

Lincoln Mitchell, Harriman Institute, Columbia University

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One of the attacks on proposed health care reform that is rarely questioned is that the Medicare and Social Security systems are running out of money and that this would soon happen to any publicly funded health care system. This attack builds on some basic realities, but also takes some assumptions for granted which should be examined more closely.

The serious points on which this argument is based are first that a public option or any other serious effort to provide health insurance to the millions of Americans who are currently without insurance will not be cheap. This is reasonably obvious. The question of whether the government should be making this type of spending commitment at this time is a legitimate question. However, it should also be kept in mind that a public option will likely save individual Americans, including but not limited to those currently uninsured, money as costs for health insurance and health care generally will likely drop if we have a more rational system for providing health insurance and care.

Additionally, due largely to than less than sterling fiscal management of the previous administration, the budget generally is in bad shape. Medicare, Social Security and other programs may have uncertain financial futures, but that is true of our entire federal budget. We spent too much during the last eight years, while failing to bring in enough revenue to pay for it, creating debt and damaging the financial health of the country. In this context, Medicare does not stand out all that much.

Medicare is not, however, paid for out of general budget coffers. The federal contribution to Medicare comes from a pool of money which is raised primarily through FICA withholdings on payroll. Thus, Medicare, like Social Security, is paid for by a dedicated funding stream. The reason these programs look bankrupt is that the actuarial and financial equations have changed since the creation of these funding streams and now more money is needed.

This appearance is somewhat deceiving. If Medicare was paid for out of general budget expenses, rather than a dedicated funding stream few people would be concerned about the specific future of that program, but would instead focus more on the budget as a whole. The same applies to Social Security. The fiscal future of those programs would be tied to the overall federal budget. This would lead to a different conversation, one where instead of worrying about the specific funding sources for these and other important programs, more people would understand directly the impact of, for example, the extremely costly war in Iraq, as well as widespread tax cuts for the wealthiest Americans, have had on the futures of programs they value and upon which they depend.

A good health care program with a public option may well save individual Americans money, but will require new and different kinds of government spending. The expectation that this

program be a net positive for the budget is not realistic, but it also has nothing to do with the goals of the program. Therefore, we should pay for health care reform not through creating a specific dedicated funding source that is expected to keep the program fiscally solvent. Rather, this program should be part of the broader budget and should be viewed in the context of other budget priorities.

Dedicated funding sources for new programs are often established to guarantee funding for that program, as well as to create the appearance that the program is not an entitlement, whatever that means, but is a program that people pay into over their working years. At first, this assures the survival of the program, but it also removes the program from broader budget debates. Thus, we pursue and discuss strategies to make the Medicare or Social Security fund more solvent in something of a policy vacuum.

The debate around the future of both Medicare and Social Security almost always occurs on a separate track from broader budget discussions and assumes that there is only one way to pay for these programs. This has particular relevance for health care because it is almost certain that within a few years of the legislation passing, health care will become a very popular program. Therefore, it is critical to establish a way to pay for it that does not allow it to be unfairly singled out as fiscally unsustainable. Rather future lawmakers should be forced to make decisions about paying for health care in the context of setting broader budget priorities. This may seem risky, but it will make it harder for these future lawmakers to shed crocodile tears over the future of health care funding while blissfully wasting American tax dollars on less useful programs and providing more tax cuts for the wealthy.